

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION  
ON  
SENATE BILL NO. 1214

March 19, 2015  
8:30 A.M.

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO  
ASSIST HAWAIIAN ELECTRIC COMPANY, INC., MAUI ELECTRIC COMPANY,  
LIMITED, AND HAWAII ELECTRIC LIGHT COMPANY, INC.

Senate Bill No. 1214 authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Company, Inc. pursuant to Part VI, Chapter 39A, Hawaii Revised Statutes.

The Department is providing comments only to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of SPRB issuance will require further discussion and satisfactory credit underwriting review of the financing components with respect to any proposed financing.

Thank you for the opportunity to provide testimony on this measure.

Testimony Before The House Committee On  
Energy & Environmental Protection

Senate Bill No. 1214

March 19, 2015

By

Tayne S. Y. Sekimura, Senior Vice President and Chief Financial Officer  
Hawaiian Electric Company, Inc.

Financial Vice President  
Hawaii Electric Light Company, Inc.  
Maui Electric Company, Limited

Chair Lee, Vice Chair Lowen and Members of the Committee:

Hawaiian Electric Company, Inc., Maui Electric Company, Limited and Hawaii Electric Light Company, Inc. (collectively, "the Companies") support the passage of Senate Bill No. 1214. This bill seeks authorization for the Department of Budget and Finance to issue up to \$800 million in special purpose revenue bonds over five years on behalf of the Companies to finance multi-project capital improvement construction programs for the local furnishing of electric energy.

Interest and principal payments on these bonds, as well as all other costs associated with them, are obligations of the utilities on whose behalf they would be sold. The State has no obligation to make any payments related to these bonds.

Depending on market conditions, tax-exempt revenue bonds could be cheaper for customers than taxable debt. In 2012 and 2013, capital market conditions made it more economical for the Companies to issue taxable debt than revenue bonds. However, the Companies would like the flexibility to issue revenue bonds if it again becomes more economical to do so for our customers.

The proceeds of the sale of special purpose revenue bonds will be used by the utilities for the construction of facilities necessary to furnish electricity. All projects eventually financed by revenue bond proceeds must be specifically approved by the Hawaii Public Utilities Commission for revenue bond financing.

Thank you very much for the opportunity to testify in support of this measure.

## EEPtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, March 17, 2015 12:01 AM  
To: EEPtestimony  
Cc: darakawa@lurf.org  
Subject: Submitted testimony for SB1214 on Mar 19, 2015 08:30AM

### **SB1214**

Submitted on: 3/17/2015

Testimony for EEP on Mar 19, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
David Z. Arakawa	Land Use Research Foundation of Hawaii	Support	No

Comments: The Land use Research Foundation of Hawaii SUPPORTS SB 1214, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST HAWAIIAN ELECTRIC COMPANY, INC., MAUI ELECTRIC COMPANY, LIMITED, AND HAWAII ELECTRIC LIGHT COMPANY, INC., which authorizes the issuance of special purpose revenue bonds to assist Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc. (SB 1214)

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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## EEPtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Wednesday, March 18, 2015 9:50 AM  
To: EEPtestimony  
Cc: ed.j.wagner@gmail.com  
Subject: Submitted testimony for SB1214 on Mar 19, 2015 08:30AM

### **SB1214**

Submitted on: 3/18/2015

Testimony for EEP on Mar 19, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Ed Wagner	Individual	Oppose	No

Comments: Dear Senators, Please tell Connie Lau and the rest of HECO management to stop ripping the shirts off the backs of our people to get her obscene \$5.6 million, \$3.8 million, and \$5.8 million income and cut ALL executive compensation by 50% or more. If these people can't live comfortably on a few hundred thousand a year with a maximum cap of \$1 million, then there is something wrong with them - worship money above ALL else in life at the expense of our economy and environment. These people should be in prison, charged with mass financial rape of our people and mass rape of the planet. Tell Connie Lau and Alan Oshima to cut the HECO excessive stock dividend by 50% to a reasonable mainland utility level of 2% instead of 5%. Then, HECO will have ALL the funds it needs to upgrade its crumbling, dilapidated grid. Stop giving this incompetent company more corporate welfare, a free ride like it has had for over 100 years. The company lost about \$100 million over the years on bad investments because of incompetent management. Stop bailing out this idolatrous company like the Fed did Wall Street banks. Do us all a favor and let the financially strapped, fraudulent company go bankrupt. The entire world is moving to fully decentralized micro and nano grids while HECO [ and Nextera ] is trying desperately to hold on to its 19th century vertically oriented, centrally controlled business model. You are trying your best to accommodate it because you all bow your heads on bended knee in idolatrous worship of your false god, and you will be judged harshly by history for doing so. These bonds are another attempt to save this dinosaur from its death spiral and ultimate extinction. You will be harshly judged by history if you pass this bill instead of moving quickly to shut HECO down by rescinding its franchise and converting it to a much more sustainable, efficient, cost effective business model known as a co-op. HECO has already gone on record stating that it will cooperate fully in its conversion to community owned power. It is time to hold its feet to the fire and establish co-ops across the State like KIUC and like HIEC seeks to do to eliminate HELCO. <https://www.youtube.com/watch?v=Yi2LCylzvQM>  
<https://www.youtube.com/watch?v=QTKifphm3j8>

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## EEPtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, March 17, 2015 9:42 PM  
To: EEPtestimony  
Cc: ed.j.wagner@gmail.com  
Subject: Submitted testimony for SB1214 on Mar 19, 2015 08:30AM  
Attachments: PUC Docket 2014-0090 HECO Stock Sale Letter To PUC.pdf

### **SB1214**

Submitted on: 3/17/2015

Testimony for EEP on Mar 19, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Ed Wagner	Individual	Oppose	No

Comments: SECTION 2 . Pursuant to part VI, chapter 39A, Hawaii Revised Statutes, the department of budget and finance, with the approval of the governor, is authorized to issue special purpose revenue bonds in a total amount not to exceed \$800,000,000, in one or more series, for the purpose of assisting Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc., all Hawaii corporations, to continue multi-project capital improvement programs, including costs to cover the acquisition of land or the construction or acquisition of facilities used or related to the production, transmission, or distribution of electricity, or any combination thereof; provided that public utilities commission approval. The legislature hereby finds and determines that the capital improvement projects and programs of Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc., constitute energy projects as defined in part VI, chapter 39A, Hawaii Revised Statutes, and the financing thereof constitutes assistance to utilities serving the general public in providing electric energy. ————— Explain why our incompetent, financial strapped utility monopoly needs more assistance? Provide the justification for another bailout proposal. Is this a backup plan in case its bailout by Nextera is not approved? The company has been violating its franchise for many years. The solution is not a bailout, but a rescinding of its franchise, condemnation of its assets for the public good, and its conversion to community-owned power like KIUC and like Hawaii Island Energy Cooperative ( HIEC ) is seeking to do. With HIEC in control, there will be NO more HELCO and no need for revenue bonds. In PUC Docket 2014-0090, HECO claimed that it didn't have the capital to upgrade the grid and needed to sell stock internally, even to HEI which will dissolve if the Nextera bailout is approved, in order to obtain that capital. In D&O 32428, dated, 11/3/14, the PUC approved that stock sale. According to the attached letter from HECO's CFO to the PUC, \$40,000,000 of stock was sold in 2014. Now this bill wants to add insult to injury by providing even more money to bailout this monopoly on top of the proposed \$4.3 billion dollar Nextera bailout. Two reports last year argued very strongly that HE stock is only worth \$14-\$15, not \$33 a share since the buyout announcement. The stockholders have a much better deal than they deserve, more than double the real value of the company. You should read this article showing why HECO stock is only worth \$14. <http://www.minyanville.com/trading-and-investing/stocks/articles/Danger-Zone-Hawaiian-Electric-Company-HE/7/22/2014/id/55584> What happened to all the discussion about forcing the monopoly to be a transmission ONLY company, to get out of the power generation business? And don't forget that John Carroll has an open lawsuit against the State and the HECO monopoly for breach of public trust. Electricity is NOT a commodity

that HECO creates, but a natural resource protected by Article XI of our Constitution. Governor Ige has inherited this lawsuit from his predecessor and is already in serious, direct, and deliberate violation of Article XI. I suggest that you start asking yourselves what you want your legacy to be, how you want history to judge you 100 years from now, and then do NOT pass this bill if you want history to judge you kindly instead of harshly.

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TAYNE S. Y. SEKIMURA  
Senior Vice President and  
Chief Financial Officer

FILED  
2015 FEB 19 P 3 55  
PUBLIC UTILITIES  
COMMISSION

February 19, 2015

The Honorable Chair and Members  
of the Hawai'i Public Utilities Commission  
Kekuanao'a Building, First Floor  
465 South King Street  
Honolulu, Hawai'i 96813

Dear Commissioners:

Subject: Docket No. 2014-0090 – Issuance and Purchase of Common Stock  
Hawaiian Electric Companies' Report to the Commission for 2014

Hawaiian Electric Company, Inc. ("Hawaiian Electric") completed its common stock issuances in 2014 as the Commission authorized in its Decision and Order ("D&O") No. 32428 filed November 3, 2014 in the subject docket.

In accordance with the D&O, Ordering Paragraph 5, enclosed for filing are the results of the sale of Hawaiian Electric's common stock that took place on December 23, 2014.

On December 23, 2014, Hawaiian Electric received proceeds from its sale of common stock to Hawaiian Electric Industries, Inc. which were for the reimbursement of funds used for the payment of capital expenditures. Hawai'i Electric Light Company, Inc. ("Hawai'i Electric Light") and Maui Electric Company, Limited ("Maui Electric") did not issue common stock in 2014.

The legal expenses associated with the sale of common stock totaled \$5,957.07 for the Companies as of December 31, 2014. The allocation of expenses related to the common stock issuance is based on the forecast of common equity over a three-year period from 2014 through 2016 that was requested in the Companies' application filed with the Commission on April 24, 2014 in the aforementioned docket. The costs were allocated as follows: Hawaiian Electric at 77%, Hawai'i Electric Light at 8% and Maui Electric at 15%.

If you have any questions, please call me at 543-7840 or Lorie Ann Nagata, Treasurer, at 543-7893.

Sincerely,

Tayne S. Y. Sekimura  
Hawaiian Electric Company, Inc. - Senior Vice President and Chief Financial Officer  
Hawai'i Electric Light Company, Inc. - Financial Vice President  
Maui Electric Company, Ltd. - Financial Vice President

cc: Division of Consumer Advocacy

	<u>Price Paid per Share (Book Value as of 11/30/14)</u>	<u>Number of Shares Issued</u>	<u>Amount Issued</u>
Hawaiian Electric (sale to Hawaiian Electric Industries, Inc.)	\$106.32	376,222	\$40,000,000